

**STATE OF ILLINOIS  
BEFORE THE ILLINOIS COMMERCE COMMISSION**

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<b>Z-TEL COMMUNICATIONS, INC.</b>	)	
	)	
<b>Complainant</b>	)	
	)	<b>ICC Docket No. 02- 0160</b>
<b>v.</b>	)	
	)	
<b>ILLINOIS BELL TELEPHONE COMPANY (D/B/A AMERITECH ILLINOIS)</b>	)	

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**Testimony of Dr. Debra J. Aron  
On Behalf of Ameritech Illinois  
Ameritech Illinois Exhibit 2.0**

**March 19, 2002**

*Ameritech*

*3-25-02*

*02-0160  
2.0*

*BAP*

**I. PURPOSE AND ORGANIZATION OF TESTIMONY**

**Q.1 Please state your name and position.**

A.1 My name is Debra J. Aron. I am the Director of the Evanston office of LECG Consulting, LLC and Adjunct Associate Professor at Northwestern University. My business address is 1603 Orrington Avenue, Suite 1500, Evanston, IL 60201.

**Q.2 Please describe LECG, LLC.**

A.2 LECG, LLC is an economics and finance consulting firm, providing economic expertise for litigation, regulatory proceedings, and business strategy. Our firm comprises more than 200 economists from academe and business, and has 15 offices in seven countries. LECG's practice areas include antitrust analysis, intellectual property, and securities litigation, in addition to specialties in the telecommunications, gas, electric, and health care industries.

**Q.3 Please describe your professional qualifications.**

A.3 I received a Ph.D. in economics from the University of Chicago in 1985, where my honors included a Milton Friedman Fund fellowship, a Pew Foundation teaching fellowship, and a Center for the Study of the Economy and the State dissertation fellowship. I was an Assistant Professor of Managerial Economics and Decision Sciences from 1985 to 1992, at the J. L. Kellogg Graduate School of Management, Northwestern University, and a Visiting Assistant Professor of Managerial Economics and Decision Sciences at the Kellogg School from 1993-1995. I was named a National Fellow of the Hoover Institution, a think tank at Stanford University, for the academic year 1992-1993, where I studied innovation and product proliferation in multiproduct firms. Concurrent with my position at Northwestern University, I also held the position of Faculty Research Fellow with

26 the National Bureau of Economic Research from 1987-1990. At the Kellogg  
27 School, I have taught M.B.A. and Ph.D. courses in managerial economics,  
28 information economics, and the economics and strategy of pricing. I am a  
29 member of the American Economic Association and the Econometric Society,  
30 and an Associate member of the American Bar Association. My research  
31 focuses on multiproduct firms, innovation, incentives, and pricing, and I have  
32 published articles on these subjects in several leading academic journals,  
33 including the *American Economic Review*, the *RAND Journal of Economics*, and  
34 the *Journal of Law, Economics, and Organization*.

35 I have consulted on numerous occasions to the telecommunications  
36 industry in the U.S. and internationally on competition, pricing, strategic, and  
37 regulatory issues. I also teach a master's level course at Northwestern  
38 University on competition in information and network industries. I have testified  
39 in several states regarding the proper interpretation of Long Run Incremental  
40 Cost and its role in pricing; the measurement of competition in local exchange  
41 markets; the role of entry barriers; the economic interpretation of pricing and  
42 costing standards in the Telecommunications Act of 1996 ("TA96" or "the Act");  
43 limitations of liability in telecommunications; Universal Service; and proper  
44 pricing for mutual compensation for call termination. I have also submitted  
45 affidavits to the Federal Communications Commission analyzing the merits of  
46 Ameritech's application for authorization under Section 271 of the  
47 Telecommunications Act to serve the in-region interLATA market, CC Docket No.  
48 97-137; explaining proper economic principles for recovering the costs of  
49 permanent local number portability, CC Docket No. 95-116; explaining the proper  
50 economic interpretation of the "necessary and impair" standard for determining  
51 which elements should be required, Docket No. 96-98; and an analysis of market

power in support of Ameritech's petition for Section 10 forbearance from regulation of high-capacity services in the Chicago LATA, CC Docket No. 95-65. I have conducted analyses of mergers in many other industries under the U.S. Merger Guidelines. In addition, I have consulted in other industries regarding potential anticompetitive effects of bundled pricing and monopoly leveraging, market definition, and entry conditions, among other antitrust issues, as well as matters related to employee compensation and contracts, and demand estimation. In 1979 and 1980, I worked as a Staff Economist at the Civil Aeronautics Board studying price deregulation of the airline industry. In July 1995, I assumed my current position at LECG. My professional qualifications are detailed in my curriculum vitae, which is attached as Schedule A to my testimony.

**Q.4 Dr. Aron, please briefly describe the purpose of this proceeding.**

A.4 It is my understanding that this proceeding emanates from a complaint against Ameritech Illinois, filed on February 21, 2002 by Z-Tel Communications before the Illinois Commerce Commission (the Commission).<sup>1</sup> In its complaint, Z-Tel contends that "Ameritech provides Z-Tel with inaccurate, untimely and unreliable notification when Z-Tel customers change to an alternative local exchange carrier," while providing its own retail marketing operations timely and accurate notification when an Ameritech Illinois customer migrates to Z-Tel.<sup>2</sup> The complaint characterizes Ameritech Illinois' behavior as "an anticompetitive double-whammy committed against Z-Tel."<sup>3</sup>

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<sup>1</sup> *Verified Complaint and Request for Emergency Relief*, Z-Tel Communications, Inc. vs. Illinois Bell Telephone Company, d/b/a Ameritech Illinois, Docket No. 02-0160, February 21, 2002 (hereafter *Z-Tel Complaint*).

<sup>2</sup> *Z-Tel Complaint*, p. 1.

<sup>3</sup> *Z-Tel Complaint*, p. 10.

Included in Z-Tel's filing is a petition for emergency relief asking the Commission to preclude Ameritech Illinois from "soliciting Z-Tel's customers using Winback tariff offers until such time as Ameritech provides Z-Tel with Line Loss Notification that is identical to the Line Loss Notification that Ameritech provides to its own retail operations"<sup>4</sup> on the grounds that, absent such relief, Z-Tel will suffer irreparable harm. On February 27, 2002, the Commission issued an Order responding to Z-Tel's petition.<sup>5</sup> In the Order, the Commission chose not to bar Ameritech Illinois from marketing winback offers to Z-Tel customers, but instead chose to restrict Ameritech Illinois from "using Line Loss Notifications to market [to] Z-Tel's customers until 15 days after Ameritech loses that customer to Z-Tel..."<sup>6</sup> In support of this ruling, the Commission concluded that "this interim relief will help to level the competitive use of Line Loss Notifications for marketing purposes."<sup>7</sup>

**Q.5 Please describe the purpose of your testimony.**

A.5 The purpose of my testimony is to describe the economic benefits of customer winback efforts to competition and consumer welfare, and explain that, as a general rule, restricting such behavior is contrary to the public interest. In the present context, however, to the extent that the Commission concludes that limited restrictions are prudent to "level the competitive use" of line loss information, I urge the Commission to limit those restrictions in as targeted a fashion as possible in order to be mindful of the fact that winback offers directly

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<sup>4</sup> Z-Tel Complaint, p. 2.

<sup>5</sup> Order, Z-Tel Communications, Inc. vs. Illinois Bell Telephone Company (Ameritech Illinois), Verified Complaint and Request for Emergency Relief Pursuant to Sections 13-514, 13-515, 13-516 of the Illinois Public Utilities Act, Docket No. 02-0160, February 27, 2002 (hereafter *Commission Order*).

<sup>6</sup> *Commission Order*, p. 7.

<sup>7</sup> *Ibid.*

benefit consumers. Given the unambiguous benefits to competition and consumers that derive from winback offers, any limitation on these offers comes at a cost that is borne by consumers.

**Q.6 Have you examined Ameritech Illinois' winback promotions?**

A.6 No, I have not. My testimony addresses the benefits to consumers and competition from winback efforts generally as practiced in the telecommunications and other industries. My focus is limited to the potential harm to consumers of unreasonably limiting winback efforts as a "remedy" for other alleged conduct. I have not been asked to examine, and my testimony does not address, the specifics of any Ameritech Illinois winback promotion.

**Q.7 Have you been asked to evaluate the possible competitive effects or implications of the alleged failure of Ameritech Illinois to provide timely notification of line losses?**

A.7 No, I have not. It is my understanding that Ameritech Illinois acknowledges that there have been problems with its line loss notification system and has committed to the Commission to rectify them.<sup>8</sup> I have neither examined the relevant evidence on that issue, nor evaluated the potential harm to competition, if any, that might ensue from a lack of timeliness or accuracy of line loss notification. My objective here is limited only to explaining that winback solicitations are typically pro-competitive and beneficial to consumers, and therefore should not be limited for purely punitive reasons. Z-Tel's plea for relief, which seeks blanket prohibition of winback offers,<sup>9</sup> appears to be overly broad relative to the potential effect of the alleged harm.

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<sup>8</sup> *Supplemental Response of Illinois Bell Telephone Company to Request for Emergency Relief, Z-Tel Communications, Inc. vs. Illinois Bell Telephone Company, d/b/a Ameritech Illinois, Docket No. 02-0160, February 27, 2002, p. 2.*

<sup>9</sup> *Z-Tel Complaint, p. 2.*

II. **WINBACK OFFERS SHOULD BE EVALUATED BASED ON THEIR  
ANTICIPATED EFFECTS TO CONSUMER WELFARE AND ECONOMIC  
EFFICIENCY**

**Q.8 Please describe the purpose of typical winback marketing efforts.**

A.8 The purpose of typical winback offers is very simple: they are intended to attract customers back from a competitor by making the customer aware of a service or pricing package that is responsive to the competitor's offer. Firms engage in winback marketing to convey to consumers the firm's willingness to compete for their business and make sure they know about the competitive alternatives—services, prices, and special offers—available to them. While the objective of a winback is clearly antithetical to the interests of *competitors*, it is the very epitome of *competition* and is clearly beneficial to consumers.

**Q.9 How do consumers benefit from the ability of a firm to engage in winback marketing?**

A.9 Consumers are made better off in at least two ways. First, a consumer benefits from being better informed about her competitive options because she might find and accept an offer that she considers superior (either in price, service offerings, or some other characteristic) when, absent the winback marketing, she might not have become aware of the offer. Second, when consumers are made aware of a competitor's attractive offer, they are empowered to possibly negotiate an even better deal from their current supplier rather than switch again. In both cases the consumer's ability to improve her economic position vis-à-vis the supplier is enhanced. The worst case scenario for the consumer receiving a winback solicitation is that she finds the winback offer unattractive and simply rejects it.

**Q.10 Could not the consumer seek out information herself about alternative offers if Ameritech were prohibited from winback activity?**

A.10 Yes, and some would do so. But many would not, and rationally so, because the cost to the consumer of engaging in competitive research, particularly in light of

all of the other demands on the consumer's attention, may simply not be worth the consumer's effort. Nevertheless, if the provider brought the information to the consumer via marketing forays, the consumer may very well be made better off by learning of attractive competitive offers. That is the premise of all advertising and marketing efforts, and as a general matter such efforts enhance competition. It is critical to the functioning of most competitive markets that firms make positive efforts to bring information to consumers about the offers available to them.

**Q.11 How has the Federal Communications Commission (FCC) articulated the competitive benefits of customer winback offers?**

A.11 The FCC has recognized that winback activity is consistent with normal competitive interplay and that it benefits consumers. In particular, the FCC articulated the following benefits from winback activity:

Winback facilitates direct competition on price and other terms, for example, by encouraging carriers to "out bid" each other for a customer's business, enabling the customer to select the carrier that best suits the customer's needs.<sup>10</sup>

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[O]nce a customer is no longer obtaining service from the ILEC, the ILEC must compete with the new service provider to obtain the customer's business. We believe that such competition is in the best interest of the customer and see no reason to prohibit ILECs from taking part in this practice.<sup>11</sup>

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<sup>10</sup> Order on Reconsideration and Petitions for Forbearance, Federal Communications Commission, FCC 99-223, released September 3, 1999, ¶ 68 (footnote omitted).

<sup>11</sup> Ibid., ¶ 69.



**III. WINBACK RESTRICTIONS SHOULD BE TARGETED TO THE  
COMPETITIVE CONCERN SO AS NOT TO PUNISH CUSTOMERS**

**Q.12 Given the benefits that derive from customer winback offers, how should the Commission address any potential harm to competition that it believes might result from Ameritech Illinois providing faulty or delayed line loss information to Z-Tel?**

**A.12** If the Commission finds that the alleged problems with line loss notification harm not only Z-Tel but harm competition itself, then the Commission will presumably consider it appropriate to fashion regulatory relief that addresses the competitive harm caused by the untimely or inaccurate information. It should not, however, unnecessarily impede competition or diminish consumer welfare by precluding Ameritech Illinois from engaging in winback activity. Any limitation on winback marketing causes a direct harm to consumers even if it is aimed at rectifying a competitive harm.

In light of this trade-off, competition is served if the restriction imposed on the marketing of Ameritech Illinois' winback offers, if any, is remedial and not punitive; that is, the restriction should aim only to correct the competitive harm the Commission believes is caused by the alleged information asymmetry between Ameritech Illinois' retail marketing operations and Z-Tel. Any restrictions that go beyond that of attempting to correct for the information asymmetry would unnecessarily impede competition and harm consumers.

**Q.13 Has the Commission recognized the competitive benefits of winback marketing activity?**

**A.13** I believe so. The interim remedy fashioned by the Administrative Law Judge and adopted by the Commission in this case restricts Ameritech Illinois from using its line loss information to market Z-Tel's customers until 15 days after Ameritech Illinois loses that customer to Z-Tel. The Commission's explanation for its ruling appears to recognize that an outright ban against Ameritech Illinois winback

activity would not be in the best interests of competition. In the Order, the Commission explains that the interim relief "will help to level the competitive use of Line Loss Notifications for marketing purposes"<sup>12</sup> and concludes with the following statement:

[T]he public interest in promoting competition weighs heavily in favor of this limited restriction on Ameritech's marketing practices. There exists a legitimate and well accepted state interest in promoting competition in the telecommunications industry. The emergency relief granted herein is narrowly tailored to limit the effect of Ameritech's possible discriminatory use of line loss information.<sup>13</sup>

I concur with the Commission's explanation insofar as it recognizes the competitive benefits of winback activity and, implicitly (without intending to misrepresent the Commission's reasoning), the harm to competition and consumers of overly-broad restrictions on winback marketing. If the Commission's view is that competition is harmed if Z-Tel is delayed in obtaining information that Ameritech Illinois' retail operation has, then it is appropriate to tailor the remedy to restoring informational symmetry. Once information symmetry is achieved, Ameritech Illinois should be unrestricted in its ability to market winback offers.

**Q.14 Does this conclude your testimony?**

**A.14** Yes.

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<sup>12</sup> Commission Order, p. 7.

<sup>13</sup> Ibid.

**DEBRA J. ARON**

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Suite 1500  
Evanston, IL 60201  
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E-mail: Debra\_Aron@lecg.com

**EDUCATION**

Ph.D., Economics, UNIVERSITY OF CHICAGO, Chicago, IL, 1985

A.B. (summa cum laude), Economics, UNIVERSITY OF CALIFORNIA AT LOS ANGELES, Los Angeles, CA, 1979

**PRESENT POSITIONS**

LECG, LLC Evanston, IL, 1995-present

Director

Office Director, LECG Evanston

NORTHWESTERN UNIVERSITY, Communication Systems Program, School of Speech,  
Evanston, IL, 2000.

Adjunct Associate Professor of Communication Studies

**ACADEMIC AND PROFESSIONAL EXPERIENCE**

NORTHWESTERN UNIVERSITY, J. L. Kellogg Graduate School of Management,  
Evanston, IL, 1985-1995

Visiting Assistant Professor of Managerial Economics, 1993-1995

Assistant Professor of Managerial Economics, 1985-1992

HOOVER INSTITUTION, 1992-1993

National Fellow

UNIVERSITY OF CHICAGO, Department of Economics, Chicago, IL, 1983-1984

Instructor

CIVIL AERONAUTICS BOARD, Office of Economic Analysis, Washington, DC,  
Summers, 1979 and 1980  
Staff Economist

## HONORS & AWARDS

Guthman Research Chair, Kellogg Graduate School of Management, Northwestern University, Summer 1994.

Hoover National Fellowship, Hoover Institution, 1992-1993.

Faculty Research Fellow, National Bureau of Economic Research, 1987-1990.

Pepsico Research Chair, Northwestern University, 1990.

Kellogg Research Professorship, Northwestern University, 1989.

National Science Foundation Research Grant, 1987-1988.

Buchanan Chair, Kellogg Graduate School of Management, Northwestern University, 1987-1988.

IBM Chair, Kellogg Graduate School of Management, Northwestern University, 1986-1987.

## RESEARCH INTERESTS

Industrial organization, antitrust economics, and business strategy, pricing, information industries, network industries, telecommunications policy, theory of the firm, compensation and incentives.

## TEACHING

Courses taught: Pricing Strategy; Information, Communication, and Competition (strategy and competition in communications industries); Intermediate Microeconomic Theory; Managerial Economics (microeconomic theory as applied to business strategy and decision making) at the M.B.A. level, The Economics of Information at the Ph.D. level.

Also qualified to teach: graduate Microeconomic Theory; Industrial Organization and Labor Economics; the Economics of Personnel; Public Finance; Applied Game Theory.

## PUBLICATIONS AND WORKING PAPERS

- 1) "Economic Theories of Tying and Foreclosure Applied—And Not Applied—in *Microsoft*," with Steven S. Wildman, *Antitrust*, vol. 14, no. 1, 1999, pp.48-52.
- 2) "Effecting a Price Squeeze Through Bundled Pricing," with Steven S. Wildman, in *Competition, Regulation, and Convergence: Current Trends in Telecommunications Policy Research*, Gillett and Vogelsang, Eds., (New Jersey: Lawrence Erlbaum Associates, Inc.) 1999, pp. 1-17.
- 3) "Worldwide Wait? How the Telecom Act's Unbundling Requirements Slow the Development of the Network Infrastructure," with Ken Dunmore and Frank Pampush, *Industrial and Corporate Change*, vol.7, no. 4, 1998, pp. 615-621.
- 4) "The Pricing of Customer Access in Telecommunications," with Steven S. Wildman, *Industrial and Corporate Change*, vol. 5, no. 4, 1996, pp. 1029-1047.
- 5) "Bonus and Penalty Schemes as Equilibrium Incentive Devices, With Application to Manufacturing Systems," with Pau Olivella, *Journal of Law, Economics, and Organization*, 10, Spring 1994, pp. 1-34.
- 6) "Diversification as a Strategic Preemptive Weapon," *Journal of Economics and Management Strategy*, 2, Spring 1993, pp. 41-70.
- 7) "Using the Capital Market as a Monitor: Corporate Spin-offs in an Agency Framework," *RAND Journal of Economics*, 22, Winter 1991, pp. 505-518.
- 8) "Firm Organization and the Economic Approach to Personnel Management, *American Economic Review*, vol. 80, no. 2, May 1990, pp. 23-27.
- 9) "The Introduction of New Products," with Edward P. Lazear, *American Economic Review*, vol. 80, no. 2, May 1990, pp. 421-426.
- 10) "Ability, Moral Hazard, Firm Size, and Diversification," *RAND Journal of Economics*, 19, Spring 1988, pp. 72-87.
- 11) "Worker Reputation and Productivity Incentives," *Journal of Labor Economics*, vol. 5, no. 4, October 1987, part 2, pp. S87-S106.
- 12) "Imitation and Differentiation in New Product Markets," under second review at *RAND Journal of Economics*.
- 13) "Competition, Relativism, and Market Choice," with Edward P. Lazear, C.M.S.E.M.S. Working Paper No. 750, October 1987.
- 14) "An Empirical Analysis of Agency Theory and the Choice of Merger Partners," mimeo, Northwestern University, August 1987.
- 15) "The Role of Managerial Ability and Moral Hazard in the Determination of Firm Size, Growth and Diversification," Ph.D. Dissertation, University of Chicago, August 1985.

## RESEARCH IN PROGRESS

"Balancing Concerns of Price Squeeze and Pricing Flexibility in Regulated Telecommunications Industries," with Gordon Green and Frank X. Pampush.

"Licensing and Access to Innovations in Telecommunications and Information Services," with Steven S. Wildman.

"Optimal Intercarrier Compensation Mechanisms in Network Industries," with Alan S. Frankel.

"Interconnection Pricing in Telecommunications."

#### **SELECTED TALKS**

"Broadband Deployment in the United States," Emerging Opportunities in Broadband Symposium, Northwestern University, Evanston, Illinois, December 2001.

"Local Competition in Illinois," Illinois Telecommunications Symposium, Northwestern University, Evanston, Illinois, December 2000.

"Licensing and Access to Innovations in Telecommunications and Information Services," Telecommunications Policy Research Conference, Alexandria, Virginia, September, 2000.

"Effecting a Price Squeeze Through Bundled Pricing," Federal Communications Commission, Washington, D.C., May 1999.

"Competitive and Strategic Use of Optional Calling Plans and Volume Pricing Plans," The Institute for International Research Conference for Competitive Pricing of Telecommunications Services, Chicago, Illinois, July 1998.

"Effecting a Price Squeeze Through Bundled Pricing," Consortium for Research in Telecommunications Policy Conference, University of Michigan, Ann Arbor, Michigan, June 1998.

"The Pricing of Customer Access in Telecommunications," Conference on Public Policy and Corporate Strategy for the Information Economy, Evanston, Illinois, May 1996.

"Diversification as a Strategic Preemptive Weapon," University of Iowa, Iowa City, Iowa, February 1994.

"Diversification as a Strategic Preemptive Weapon," University of Buffalo, Buffalo, New York, February 1994.

"Diversification as a Strategic Preemptive Weapon," University of Southern California, Los Angeles, California, December 1993.

"Strategic Pricing" Winter Meetings of the Econometric Society, Discussant, Anaheim, California, December 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Michigan State University, Lansing, Michigan, November 1993.

"Diversification as a Strategic Preemptive Weapon," Rutgers University, New Brunswick, New Jersey, November 1993.

"Diversification as a Strategic Preemptive Weapon," University of California at Santa Cruz, Santa Cruz, California, November 1993.

"Diversification as a Strategic Preemptive Weapon," Graduate School of Business, Stanford University, Stanford, California, November 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Purdue University, West Lafayette, Indiana, September 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Summer Meetings of the Econometric Society, Boston University, Boston, Massachusetts, June 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," University of California, Department of Economics, Berkeley, California, May 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Stanford University, Graduate School of Business, Stanford, California, May 1993.

"Diversification as a Strategic Preemptive Weapon," Stanford University, Graduate School of Business, Stanford, California, April 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Hoover Institution, Stanford, California, April 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," University of California, Graduate School of Business, Berkeley, California, February 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Stanford University, Department of Economics, Stanford, California, February 1993.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," Hoover Institution, Stanford, California, January 1993.

"Pricing Strategies," Session Discussant, 1992 North American Winter Meeting of The Econometric Society, Anaheim, California, January 1992.

"Diversification as a Strategic Preemptive Weapon," University of Toronto, Toronto, Canada, November 1991.

"Diversification as a Strategic Preemptive Weapon," Queen's University, Kingston, Ontario, Canada, November 1991.

"Bonuses and Penalties as Equilibrium Incentive Devices, with Application to Manufacturing Systems," University of Chicago, Chicago, Illinois, June 1991.

"The Timing of Entry into New Markets," Summer Meetings of the Econometric Society, University of Pennsylvania, Philadelphia, Pennsylvania, June 1991.

"Innovation, Imitation, Productive Differentiation, and the Value of Information in New Markets," University of Chicago, Chicago, Illinois, April 1991.

"Bonuses and Penalties as Equilibrium Incentive Devices, with Application to Manufacturing Systems," Winter Meetings of the Econometric Society, Washington, D.C., December 1990.

"Corporate Spin-offs in an Agency Framework," University of Washington, Seattle, Washington, October 1990.

"The Timing of Entry Into New Markets," University of British Columbia, Vancouver, British Columbia, October 1990.

"Corporate Spin-offs in an Agency Framework," Texas A&M University, College Station, Texas, April 1990.

"Firm Organization and the Economic Approach to Personnel Management," Winter Meetings of the American Economic Association, New York, New York, Dec. 1989.

"Corporate Spin-offs in an Agency Framework," Western Finance Association Meetings, Seattle, Washington, June 1989.

"Corporate Spin-offs in an Agency Framework," University of Rochester, Rochester, New York, May 1989.

"Corporate Spin-offs in an Agency Framework," North American Summer Meetings of the Econometric Society, Minneapolis, Minnesota, June 1988.

"Competition, Relativism, and Market Choice," North American Summer Meetings of the Econometric Society, Berkeley, California, June 1987.

"Competition, Relativism, and Market Choice," University of Chicago, Chicago, Illinois, April 1987.

"Rate Reform and Competition in Electric Power," Discussant, Conference on Competitive Issues in Electric Power, Northwestern University, Evanston, Illinois, March 1987.

"Worker Reputation and Productivity Incentives," New Economics of Personnel Conference, Arizona State University, Tempe, Arizona, April 1986.

"Ability, Moral Hazard, and Firm Diversification," Yale University, New Haven, Connecticut, February 1985.

"Ability, Moral Hazard, and Firm Diversification," University of Rochester, Rochester, New York, February 1985.

"Ability, Moral Hazard, and Firm Diversification," Stanford University, Stanford, California, February 1985.

"Ability, Moral Hazard, and Firm Diversification," University of Minnesota, Minneapolis, Minnesota, January 1985.



"Ability, Moral Hazard, and Firm Diversification," California Institute of Technology, Pasadena, California, January 1985.

"Ability, Moral Hazard, and Firm Diversification," Duke University, Durham, North Carolina, January 1985.

"Ability, Moral Hazard, and Firm Diversification," Northwestern University, Evanston, Illinois, January 1985.

"Ability, Moral Hazard, and Firm Diversification," Brown University, Providence, Rhode Island, January 1985.

"Ability, Moral Hazard, and Firm Diversification," Harvard University, Cambridge, Massachusetts, January 1985.

"Ability, Moral Hazard, and Firm Diversification," University of California - Los Angeles, Los Angeles, California, January 1985.

"Ability, Moral Hazard, and Firm Diversification," University of Pennsylvania, Philadelphia, Pennsylvania, December 1994.

#### REFEREEING

Dr. Aron has served as a referee for *The Rand Journal of Economics*, *the Journal of Political Economy*, *the Journal of Finance*, *the American Economic Review*, *the Quarterly Journal of Economics*, *the Journal of Industrial Economics*, *the Journal of Economics and Business*, *the Journal of Economic Theory*, *the Journal of Labor Economics*, *the Review of Industrial Organization*, *the European Economic Review*, *the Journal of Economics and Management Strategy*, *the International Review of Economics and Business*, *the Quarterly Review of Economics and Business*, *Management Science*, *the Journal of Public Economics*, *the Journal of Institutional and Theoretical Economics*, and the National Science Foundation.

#### SELECTED TESTIMONY AND OTHER ENGAGEMENTS

For a large local exchange carrier, *expert affidavit pertaining to irreparable harm caused if court declined to grant a stay of disputed performance remedy plan*, 2001.

For a large local exchange carrier, *expert testimony pertaining to the economic viability of constructing and provisioning ADSL services, including market definition and examination of competitive conditions*, 2001.

For a large local exchange carrier, *expert testimony pertaining to price squeeze allegations in the long distance market*, 2001.

For a large local exchange carrier, *expert testimony pertaining to the proper economic principles governing unbundling obligations*, 2001.

For a large local exchange carrier, *empirical examination and evaluation of competitive conditions in the local exchange market in a U.S. state*, 2001.

For a major manufacturer of mobile wireless communications equipment as defendants in a class action lawsuit, *expert affidavit examining the economic impediments to class certification, focusing on the determinants of price in the relevant equipment markets*, April 2001.

For a competitive local exchange carrier in a foreign market, *consulting support regarding the proper determination of avoided costs for resale of incumbent services*, April 2001.

For a major Japanese telecommunications equipment manufacturer, *evaluated the revenue potential and desirability of entering several advanced services equipment markets worldwide, for the purposes of assisting the client to evaluate a proposed acquisition*, February 2001.

For Ameritech Illinois, written testimony in the Illinois Commerce Commission's Investigation Into Certain Payphone Issues, *examined the economic and public policy issues pertaining to pricing of access lines for independent pay telephone providers*, April 2001.

For Ameritech Illinois, in the matter of the Illinois Public Utility Commission's Investigation Into Tariff Providing Unbundled Local Switching And Shared Transport, *provided written testimony regarding economic antitrust perspectives on obligations of firms to affirmatively help their competitors, and related public policy issues*, April 2001.

For Ameritech Illinois, in the matter of PrimeCo Communications Inc. v. Ameritech Illinois, Testimony of Debra J. Aron, *provided testimony as to the extent of competition in the Chicago area for high capacity (broadband) wireless and wireline dedicated access services; and as to the economic principles pertaining to the role of the courts in enforcing contracts*, January 2001.

For Avantel, S.A., in response to Request for Consultations by the U.S. Trade Representative (USTR) with the Government of Mexico before the World Trade Organization (WTO) regarding barriers to competition in Mexico's telecommunications market, *analyzed regulated switched access rates in the U.S. in comparison with those charged by Telmex*, November 2000.

For Southwestern Bell Telephone of Texas, Declaration of Debra J. Aron, *analyzed proposed regulation aimed at preventing incumbents from executing a price squeeze; developed a framework for evaluating claims of a price squeeze consistent with antitrust principles of predation*, August 2000.

For Yellow Cab Company, *analysis of regulatory requirements in the City of Chicago pertaining to valuation of medallions and valuation of capital for purposes of regulatory ratemaking proceeding*, 2000.

For Ameritech: written and oral testimony in Illinois and Michigan in various arbitration matters pertaining to the proper compensation for the use by competitors of client's facilities for foreign exchange services, 2000.

For a firm in the aluminum fabrication industry, in the matter of a potential merger between vertically integrated competitors: *developed a methodology for adjusting the HHI measure of market concentration to account for the vertical control by the merging parties of downstream competitors.* 2000.

For a large newspaper publisher, in the possible acquisition of the San Francisco Chronicle: *analyzed the potential antitrust impediments to an acquisition by the client of the Chronicle, including issues of geographic and product market definition, the interplay between advertising markets and customer markets, and the relevant implications of the Newspaper Preservation Act.* 1999.

For Ameritech Illinois: written and oral testimony regarding the proper economic interpretation of the standards for declaring a service competitive under the Illinois Public Utilities Act, and quantification of the extent of competition in relevant Illinois markets: *including discussion of market definition; the relevance of entry conditions; the relevance of resale competition and analysis of various resale entry strategies; the interdependence of resale and facilities-based entry strategies; and implementation of a new technology-based method of measuring market participation,* 1999-2000.

For Rand McNally in the acquisition of Thomas Brothers Maps: *analyzed market definition, concentration, and efficiencies from the proposed merger,* 1999.

For Ameritech: affidavit submitted jointly with Robert G. Harris to the Federal Communications Commission in the matter of "unbundled network elements" and commenting on the proper interpretation of the "Necessary and Impair" standard, *including discussion of entry conditions and the business-case approach to valuation of an entry strategy,* April 1999; reply affidavit May 1999.

For Ameritech: "An Analysis of Market Power in the Provision of High-Capacity Access in the Chicago LATA," submitted to the Federal Communications Commission, *including an analysis of the US DOJ merger guidelines and their applicability to regulatory relief in a regulated market, as well as extensive empirical modeling of the costs and business case for network buildout of high capacity facilities,* February 1999.

For Ameritech: "Proper Recovery of Incremental Signaling System 7 (SS7) Costs for Local Number Portability," White Paper submitted to the Federal Communications Commission, April 1999.

For Universal Studios, in the proposed merger between Bertelsmann & Kirsch: *analyzed the potential anticompetitive effects of control of the programming rights for anchor channels, satellite capacity, and decoder technology. Evaluated potential remedies in media mergers,* 1998.

Written and oral testimony on behalf of Ameritech Indiana regarding the economics of resale of local exchange services; testimony on behalf of Ameritech Illinois regarding a new model and methodology for estimating the cost of unbundled local switching; written and oral testimony on behalf of Ameritech Michigan regarding the provision of intraLATA toll service to customers of competing basic local exchange service providers; written and oral testimony on behalf of Ameritech Wisconsin regarding the determination of proper

forward looking costs for purposes of determining Federal Universal Service support; 1998.

For Ameritech: affidavit submitted to the Federal Communications Commission in the matter of "Telephone Number Portability," regarding competitively neutral cost recovery for shared and common costs for permanent local number portability.

For Ameritech Michigan: affidavit submitted to the Federal Communications Commission in the matter "Application by Ameritech Michigan for Authorization under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of Michigan."

For Flowers Industries, in the proposed merger between Flowers and Franklin Baking Company: *analyzed potential efficiencies from the merger, market definition, and potential entry into the relevant geographic market.*

For Optus Vision of Australia, in the proposed merger between Australis and Foxtel: *analyzed the competitive effects in the Australian pay TV industry of the proposed merger. Specifically analyzed issues of market power in the cable television industry with respect to cable TV programming and the ease of entry and exit.*

For the Appraisal Institute: in the case of The Appraiser's Coalition, et. al, v. Appraisal Institute, et. al, Civil Action No. 93 C 913, U.S. District Court, Northern District of Illinois, Eastern Division, *analyzed issues of market power, market structure, market share, concentration, entry and exit, and antitrust injury.*

Written and oral testimony on behalf of Ameritech in Illinois and Wisconsin in state arbitration proceedings pursuant to the Telecommunications Act of 1996, regarding the issue of limitations of liability in provision of telecommunications services; testimony on behalf of Ameritech in five states in proceedings before the state regulatory commissions to determine economic costs of providing unbundled network elements to competitors under the FCC's "TELRIC" cost theory pursuant to the Telecommunications Act of 1996; 1996-1997.

For the FTC: Revco's proposed acquisition of Rite-Aid. *Analyzed issues of market power, market structure, market share, concentration, entry and exit, and antitrust injury.*

For the Estate of Reginald F. Lewis: in the case of Carlton Investments v. TLC Beatrice International Holdings, Inc, Loida Nicolas Lewis, as Executrix of the Estate of Reginald F. Lewis, et al., *analyzed structure of executive compensation and firm and industry performance to determine whether compensation was in compliance with CEO's fiduciary duty.*

For Telus of Canada: analyzed economic issues pertaining to access to cable television channel capacity, bottleneck facilities, competition, and cost, November 1996.

For Ameritech Cellular: Reports of Debra J. Aron, "Pricing Strategy for Cellular Telephone Services," *Examined consumption patterns of cellular telephone services for demand elasticities and evidence of risk aversion, developed entirely new pricing strategies for cellular services in each of six major cellular telephone markets, and estimated the likely revenue effects of the strategy change for each market. Also developed*

*and provided software to the client for estimating the revenue effects and the proposed pricing strategies, October 1994, November 1995.*

For Ameritech Michigan: testimony submitted to Michigan Public Service Commission on efficient pricing of local exchange services; testimony submitted to Michigan Public Service Commission on "just and reasonable" price increases in local exchange services; 1995.

For the Chicago Mercantile Exchange: "An Analysis of the Marketability of a CPI Future" (with Edward P. Lazear), February 1985.

For the University of Chicago: Report of Debra J. Aron, "Efficient Pricing of Telecommunications Equipment at the University of Chicago," 1985.

As a Professor at Northwestern University, Dr. Aron has supervised numerous student consulting projects in which pricing strategies were analyzed for industries including health clubs, toys, paper products, food products, athletic shoes, and hardware.

#### **PROFESSIONAL ORGANIZATIONS**

Member, American Economic Association

Member, Econometric Society

Associate Member, American Bar Association

#### **PERSONAL INFORMATION**

Born: March 15, 1957  
Los Angeles, CA

May 2001